

Tennessee Student Assistance Corporation
Budget Request for 2008-09

October 1, 2007

Tennessee Student Assistance Corporation
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2008-09 Budget Request Summary

<u>Priority</u>	<u>Amount</u>	<u>Source</u>	<u>Initiative</u>
1	\$10,000,000	Lottery	Establish Recurring TSAA Support from Lottery
2	\$3,770,000	State	Support TSAA Applicants who Apply by April 1
3	\$299,000	State	Maintain Tennessee Teaching Scholars Program
4	\$198,200	State	Expand Ned McWherter Scholars Program
5	\$12,915,000	State	Support TSAA Applicants who Apply by May 1
6	\$205,600	Federal	Loan Program Business Development
7	\$1,400,000	State	Graduate Nursing Loan Forgiveness Program

Introduction

Funding for Tennessee's need-based college access program, the Tennessee Student Assistance Award (TSAA), is TSAC's highest priority. All TSAA recipients are low income, and all demonstrate financial need via the FAFSA application process. 90% of the recipients come from families with incomes below \$30,000 and essentially all come from families with incomes below \$50,000.

Additionally, the lottery scholarship "safety net" has helped relatively few of these students, with only about one-fourth of TSAA recipients (about 5,000 students) being eligible for lottery-funded assistance. Said differently, of the 60,000 students receiving lottery-funded assistance, only 8% (or 5,000) received TSAA.

In the 2006-07 academic year, 143,696 low-income students filed the FAFSA by June 30, 2007 and demonstrated financial need to qualify for TSAA. However, limited funding meant that only the early applicants (those who applied by March 4, 2006) could be offered an award. In the end, 19,863 students accepted and used the award.

Priority 1: Establish Recurring TSAA Support from the Lottery for Education Account

The Tennessee Student Assistance Award Program is Tennessee's primary need-based financial aid program for helping low-income students attend Tennessee higher educational

institutions. State support for this program was increased in 2007-08 through a combination of recurring and non-recurring resources, as follows:

2007-08 Funding Level

\$43,108,500	Continuing Base Funding (\$200,000 deducted for Dependent Children)
3,800,000	Additional Recurring State Support
10,000,000	Additional Non-recurring Lottery Support
1,000,000	Reserve funds approved by TSAC Board
486,843	LEAP Federal Funding
<u>641,997</u>	SLEAP Federal Funding
\$59,037,340	Total

Of the \$59,037,340 provided in 2007-08, \$10,000,000 is non-recurring, as noted in the following language from the 2007-08 appropriations bill:

From interest earnings attributable to the lottery for education account, there is appropriated the sum of \$10,000,000 to the Tennessee Student Assistance Corporation for the sole purpose of supplementing Tennessee Student Assistance Awards.

This \$10,000,000 of non-recurring funding supported nearly 5,000 additional students. **If this funding is not continued, nearly 5,000 students who received awards in 2007-08 will lose their awards in 2008-09.**

This budgetary initiative seeks to continue \$10,000,000 of support from the lottery for education account, and to designate it as a recurring.

LOTTERY FUNDS: \$10,000,000

Priority 2: Support TSAA Applicants who Apply by April 1

Tennessee Student Assistance Awards are provided on a first-come, first served basis, beginning on January 1 of each year. In the current year, funds lasted slightly less than three months. Only students who applied by March 24, 2007 received support in 2007-08.

This initiative extends support to students who apply by April 1. About 1,760 additional students would be funded, at an estimated cost of \$3,770,000.

STATE FUNDS: \$3,770,000

Tennessee Student Assistance Award Program
History and 2007-08 Projections
September 5, 2007

	<u>2001-02</u>	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<i>Projected 2007-08</i>
Last Date for Award Eligibility							
TSAA	June 15	June 14	April 23	March 22	March 15	March 4	<i>March 24</i>
Atchley Opportunity Grant	June 15	May 13	March 1	March 5	March 15	March 4	<i>March 24</i>
Funding:							
State	\$ 38,465,400	\$ 45,429,200	\$ 41,208,500	\$ 41,208,500	\$ 41,208,500	\$ 43,308,500	\$ 43,308,500
Transfer from TSLP Reserve (1)	0	0	0	0	0	0	1,000,000
Appropriation Increase							13,800,000
Federal (LEAP)	490,338	488,735	540,833	523,867	486,843	487,154	486,843
Federal (SLEAP)	508,787	1,242,817	1,787,266	802,160	808,011	819,708	641,997
Sub Total	39,464,525	47,160,752	43,536,599	42,534,527	42,503,354	44,615,362	59,237,340
Less Dependent Children	(50,000)	(56,019)	(70,000)	(94,885)	(133,456)	(138,191)	(200,000)
Available Funds for TSAA	\$ 39,414,525	\$ 47,104,733	\$ 43,466,599	\$ 42,439,642	\$ 42,369,898	\$ 44,477,171	\$ 59,037,340
Students Offered Aid	36,460	42,018	31,923	30,103	24,286	26,462	37,054
Students Received Aid	25,893	28,657	23,303	22,917	18,713	19,863	27,791
Received / Offered	71.0%	68.2%	73.0%	76.1%	77.1%	75.1%	75.0%
Awards Committed	\$ 58,630,039	\$ 79,967,161	\$ 61,790,447	\$ 61,418,748	\$ 54,886,337	\$ 62,708,031	\$ 85,597,473
Actual Expenditures	\$ 37,320,053	\$ 45,710,007	\$ 41,833,378	\$ 42,645,415	\$ 38,450,700	\$ 42,496,507	\$ 59,037,340
Expenditures / Committed	63.7%	57.2%	67.7%	69.4%	70.1%	67.8%	69.0%
Year-End Balance	2,094,472	1,394,726	1,633,221	(205,773)	3,919,198	1,980,664	0
% Over-commitment	148.8%	169.8%	142.2%	144.7%	129.5%	141.0%	145.0%
% Available Funds Spent	94.7%	97.0%	96.2%	100.5%	90.8%	95.5%	100.0%
Average Offer Amount	1,608	1,903	1,936	2,040	2,260	2,370	2,310
Average Expenditure Amount	1,441	1,595	1,795	1,861	2,055	2,139	2,124
<u>Effect on TSLP Reserve</u>							
Beginning Balance July 1	\$ 6,550,535	\$ 6,940,799	\$ 7,255,577	\$ 9,225,574	\$ 8,676,184	\$ 12,091,724	\$ 13,303,498
Transfer to Funding (1)	0	0	0	0	0	0	(1,000,000)
Interest Earned/F&A year-end adjustment	51,264	68,216	144,897	144,483	392,996	640,222	185,000
Year-end Amount from Program (above)	2,094,472	1,394,726	1,633,221	(205,773)	3,919,198	1,980,664	0
Prior Year Collections	169,500	98,281	191,879	134,212	89,228	90,888	125,000
Reversion-TSAA (2)	(1,924,972)	(1,246,445)	-	(622,312)	(985,882)	(1,500,000)	(1,500,000)
Ending Balance June 30	\$ 6,940,799	\$ 7,255,577	\$ 9,225,574	\$ 8,676,184	\$ 12,091,724	\$ 13,303,498	\$ 11,113,498
Less Component Unavailable to TSAA	(4,115,434)	(4,178,129)	(4,286,931)	(4,377,741)	(4,571,768)	(4,805,302)	(4,900,000)
Reserve Available to TSAA	\$ 2,825,365	\$ 3,077,448	\$ 4,938,643	\$ 4,298,443	\$ 7,519,956	\$ 8,498,196	\$ 6,213,498
Memo: Annual Financial Report Amount	\$ 6,940,799	\$ 7,255,577	\$ 9,225,574	\$ 8,676,184	\$ 12,091,724	not available	

(1) Although displayed as an additional funding source, this transfer will actually occur at the end of the fiscal year.

(2) In 2004-05 an additional \$615,500 was reverted from administrative funds, bringing the total 2004-05 reversion to \$1.2 million

Priority 3: Maintain Tennessee Teaching Scholars Program

The Tennessee Teaching Scholars Program currently provides \$4,500 awards to 168* future teachers. The annual state appropriation of \$611,000 has been unchanged since 2002-03. The appropriation is augmented by other funds, primarily repayments from program participants who do not keep their teaching obligation.

362 students applied for the award in 2007-08, with 211 meeting the eligibility requirements and providing all required documentation. Of these 211 eligible students, available funds supported only 168. The other 43 eligible students were not awarded.

This initiative supports the additional 43 eligible students and increases the award amount from \$4,500 to \$5,000, at a total cost of \$299,000. Increasing the award amount to \$5,000 will be consistent with the Minority Teaching Fellows Program and help keep pace with tuition increases.

STATE FUNDS: \$299,000

	<u>Applications</u>	<u>Recipients</u>	<u>Award Amount</u>	<u>State Appropriation</u>	<u>Other Funds</u>	<u>Total Funds</u>
2002-03	460	201	\$4,200	\$611,000	\$192,000	\$803,000
2003-04	416	206	\$4,200	\$611,000	\$147,600	\$758,600
2004-05	561	218	\$4,200	\$611,000	\$233,200	\$844,200
2005-06	528	150	\$4,500	\$611,000	\$133,600	\$744,600
2006-07	360	189	\$4,500	\$611,000	\$136,537	\$747,537
2007-08	362	168*	\$4,500	\$611,000	\$129,000	\$740,000

* This figure (168 recipients) is current as of September 2007. As the year progresses, some of these students may not use their awards and the year-end number of recipients may drop below 168.

Priority 4: Expand Ned McWherter Scholars Program

The Ned McWherter Scholars Program is Tennessee's most prestigious merit-based scholarship program, designed to help keep Tennessee's best and brightest students within the State. Entering freshmen must have a 3.5 high school GPA and a 29 ACT to even apply, and of these, only one in five is selected.

Recent data suggest that the program meets its goal of keeping bright Tennesseans within the state. Seventy-one percent of those responding to a survey indicated that they will stay in Tennessee to continue their education or will begin employment in Tennessee.

The State's investment in this program is enhanced by the fact that universities match the state's contribution. Ned McWherter Scholars receive \$3,000 from the State of Tennessee and a matching \$3,000 from the university they attend.

TSAC is able to award only 134 students from the state appropriation. To raise the number of awards to 200, a previously-achieved target, TSAC requests an appropriation increase of \$198,200. This will reduce dependency on interest earnings when making awards. Interest earnings fluctuate each year and are not a reliable funding source.

STATE FUNDS: \$198,200

	<u>Applicants</u>	<u>Recipients</u>	<u>Award Amount</u>	<u>Appropriation</u>
2001-02	549	200	\$3,000	\$251,800
2002-03	657	197	\$3,000	\$251,800
2003-04	690	172	\$3,000	\$251,800
2004-05	860	171	\$3,000	\$401,800
2005-06	976	165	\$3,000	\$401,800
2006-07	981	179	\$3,000	\$401,800
2007-08	1,019	184*	\$3,000	\$401,800

* This figure (184 recipients) is current as of September 2007. As the year progresses, some of these students may not use their awards and the year-end number of recipients may drop below 184.

Priority 5: Support TSAA Applicants who Apply by May 1

Tennessee Student Assistance Awards are provided on a first-come, first served basis, beginning on January 1 of each year. In the current year, funds lasted slightly less than three months. Only students who applied by March 24, 2007 received support in 2007-08.

If Priorities 1 and 2 are funded, support will extend to eligible students who apply by April 1.

If Priority 5 is funded, support will extend one additional month to students who apply by May 1.

Awards would be offered to about 8,400 additional low-income Tennesseans. Of those, about 6,300 will use the awards, at an estimated cost of \$12,915,000.

STATE FUNDS: \$12,915,000

Priority 6: Loan Program Business Development

TSAC has been asked by our school community to enhance and expand service levels to schools due to increased competition, increased industry ethics scrutiny and a recent reduction in customer service levels. To meet the needs of these requests, TSAC's Loan Administration Department is requesting two (2) Business Development Consultant positions to further the progress of the Federal Family Education Loan Programs mission. These employees will work in assisting the agency in developing an understanding of what schools need, designing processes that will meet those needs, assisting with implementations, and other responsibilities including those outlined below.

Also with additional scrutiny within the student loan industry, these positions will develop, train and advise schools about their role and responsibilities regarding new industry and governmental pressures to ensure borrower choice and to refrain from the appearance that may entangle schools with their lender relationships.

The requested Business Development Officers will be higher level employees who understand how a financial aid office works and can translate that knowledge into products and services that make TSAC a better business support partner. The need for these positions has grown out of strong recommendations from our school community.

These positions are greatly needed to focus on the following:

1. Interface with school administrators to assist TSAC in maintaining or improving our current level of services.
2. Provide in-depth 'Loans 101 type' training that will include additional ethics training and assistance.
3. Understand and translate to TSAC needed services that schools request.
4. Develop and handle traditional marketing activities to showcase TSAC's programs and services.
5. Receive clarification on new ideas and product offerings that TSAC may be considering.

Benefits of these positions to Tennessee and TSAC include:

- Enhancement of the services TSAC provides as a loan guarantor and program overseer to allow a greater level of financial aid awareness to the citizens, and to improve ethics training to schools and lenders in Tennessee.
- More efficient, comprehensive one-stop shopping service for scholarships, grants, loans and Lottery services to schools in Tennessee.

Funding for these positions would come from the Tennessee Student Loan Program from existing Federal reserves generated from the Federal Family Education Loan Program (FFELP).

FEDERAL FUNDS: \$205,600

Priority 7: Graduate Nursing Loan Forgiveness Program

The Graduate Nursing Loan Forgiveness Program was established in 2006 by the Tennessee General Assembly. Soon after, a private fund-raising campaign generated approximately \$1.4 million from the Tennessee health care community to fund the program in its initial year of operation. These private funds supported about 85 students in the first year of the program (2007-08) and will continue to support these 85 students in the second (2008-09) year of the program.

In order to bring a new cohort of students into the program in 2008-09, state support is necessary. \$1,400,000 will fund 100 full-time students receiving \$7,000 per year for two years.

STATE FUNDS: \$1,400,000